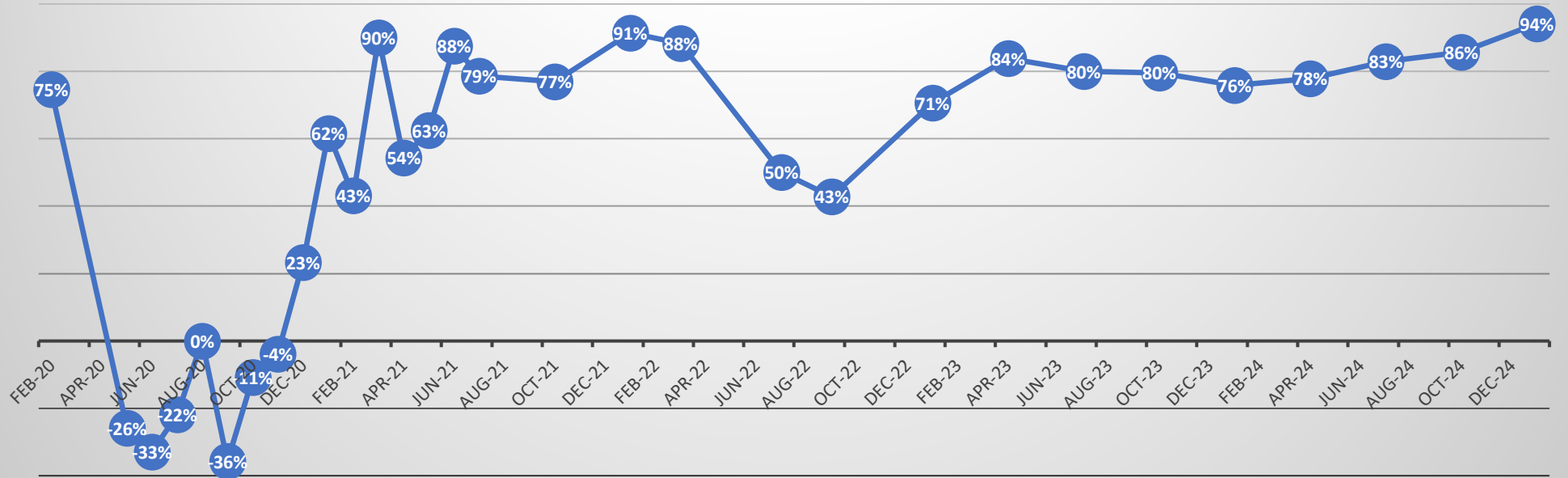




Winter 2024 Quarterly Sector Trends Tracker of CEOs and C-Suite members at mainly mid-sized professional firms
Completed by 97% of the 88 members of the Forum's Tracker Research Panel between 23 Dec 2024 and 22 Jan 2025

Managing Partners' Forum Confidence Index (2020 to 2025) Net expansion/contraction in projected levels of activity over next year

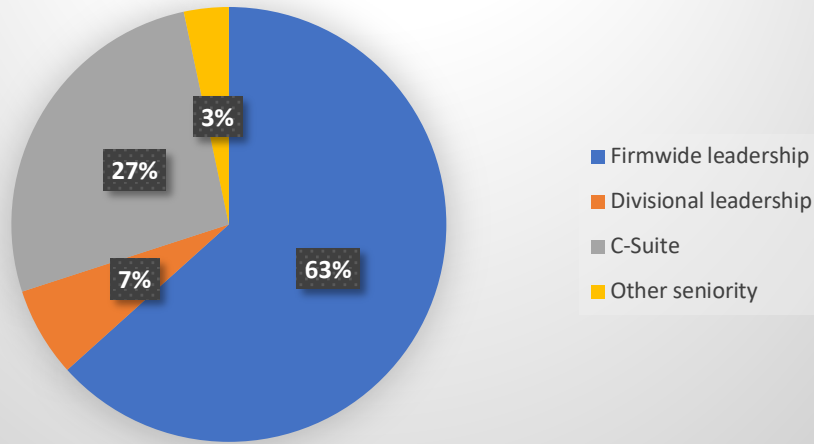


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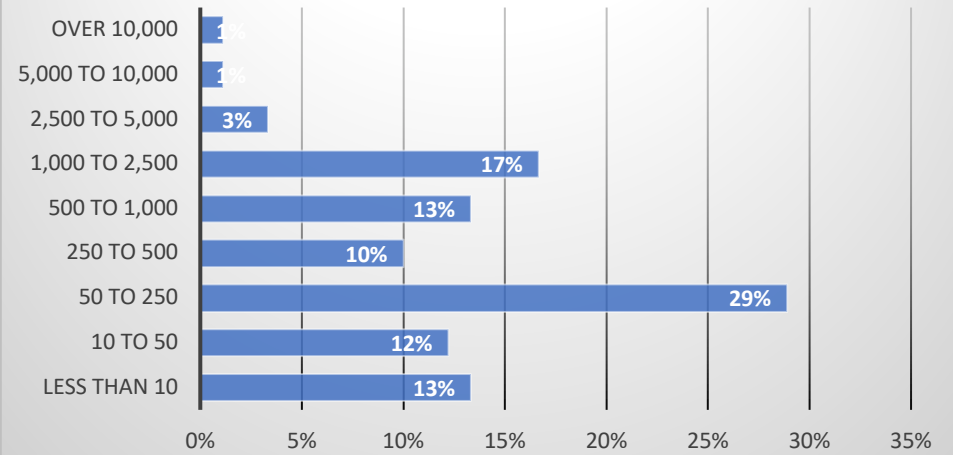
Commentary

1. The Winter 2024 Sector Trends Tracker was completed between 23 December 2024 and 22 January 2025 by an impressive 97% of the 88 members of the tracker research panel of CEOs and C-Suite members at mainly UK mid-sized professional services firms.
2. The Confidence index has continued to grow from 86% in the last tracker to 94%. The current index is made up of 94% of firms projecting expansion over the next 12 months and 0% contraction. Projected net expansion in new workflow has risen from 86% to 96%. Headcount projections have remained around 60%, the latter made up of 62% of firms projecting expansion and 3% contraction. This net expansion compares with over 70% for most of 2023.
3. 'Finance & cash flow' and 'Marketing and new business generation' carry most weight at partner/director discussions (58%), followed by 'People and the firm as an employer' at 50%. 'Operational performance' remains in fourth place, similar to 2023. By contrast, 'Operational efficiency' continues as the top priority for management (57%), followed by use of technology (up from 42% to 54%). As regards the constraints that are preventing firms from achieving optimal performance in the current economic climate, 'Margin erosion' and 'Fee pressures' remain at the top of the list (55%), followed by 'Poor economic outlook' (up from 41% to 50%). 'Political uncertainty' has reduced to 15%, with 'Regulatory pressures' remaining around 30%.
4. 'Communicating effectively' and 'Getting the best from the team' (both at 63%) remain the management activities that are seen as contributing most to helping a firm achieve its goals. As regards the dominant management style at their firm, 72% chose 'Challenge & support' with only 3% selecting 'Command & control'.
5. As regards being on track for success, the scores for both firms and key clients have increased – 74% to 88% for firms; 66% to 76% for clients, but the gap has risen from 8% to 12%. 26% of firms believe that remote working has increased productivity, with 20% saying that it has decreased. By contrast, over 50% of firms said that it had increased productivity in the Autumn 2021 tracker.
6. Key client sectors include professional services (46% of firms source more than 10% of their revenues); financial services (40%); technology (23%) and local/central Government (17%).
7. 78% (up from 69%) of firms are looking for about the same amount of office space over the next 12 months. Yet, 59% of employees are now working between three quarters and full time at the office compared with 53% at the last Tracker.

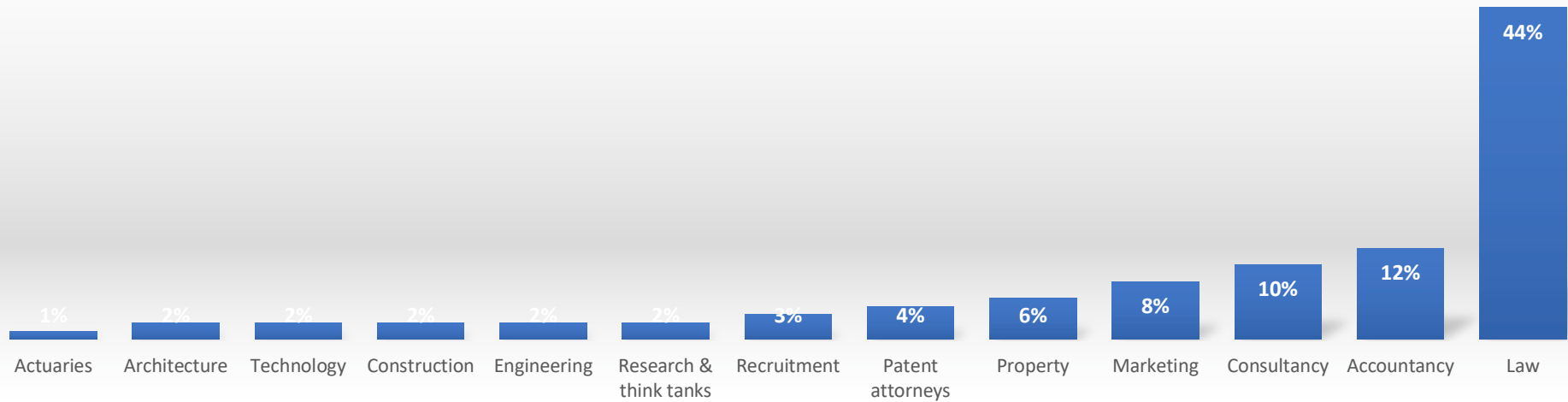
Seniority



Headcount

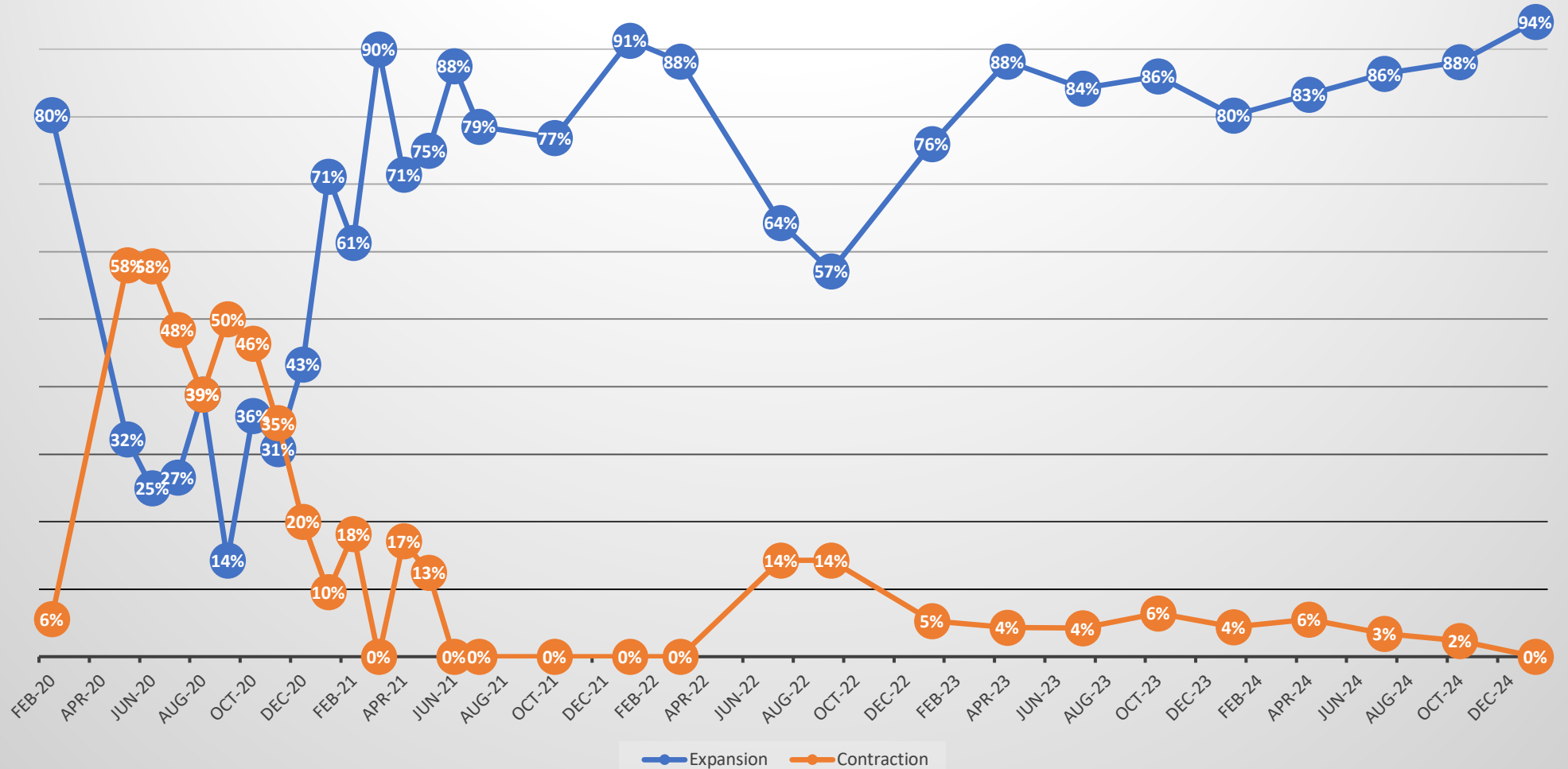


Sector



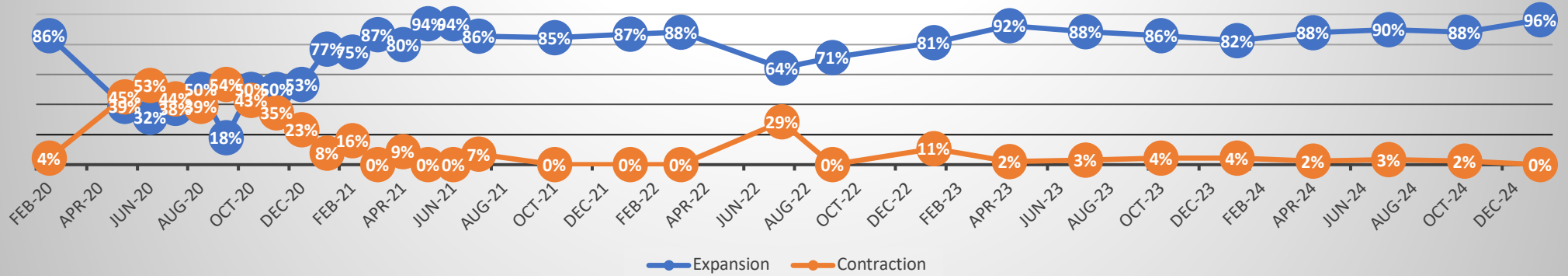
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Do you expect to expand or contract the level of activity at your firm over the next year?

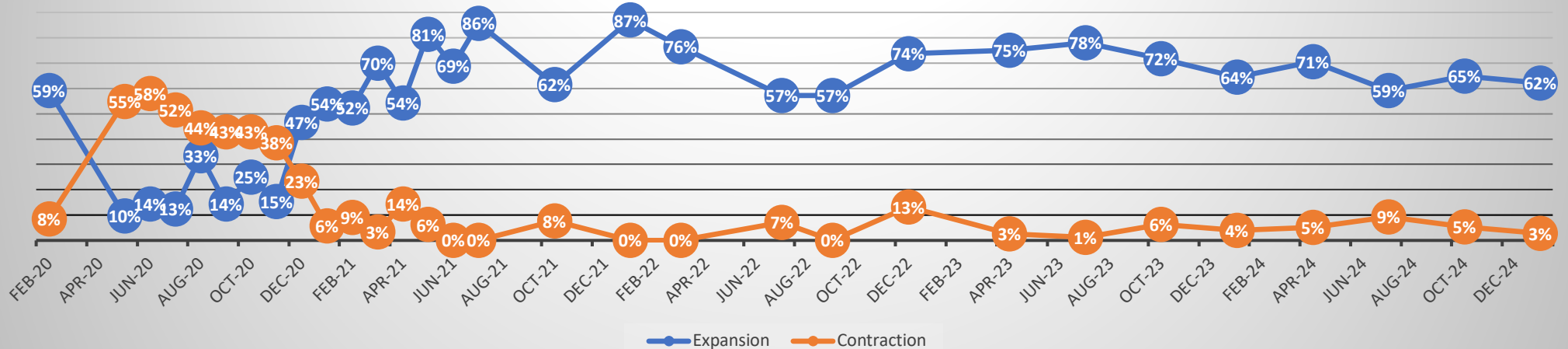


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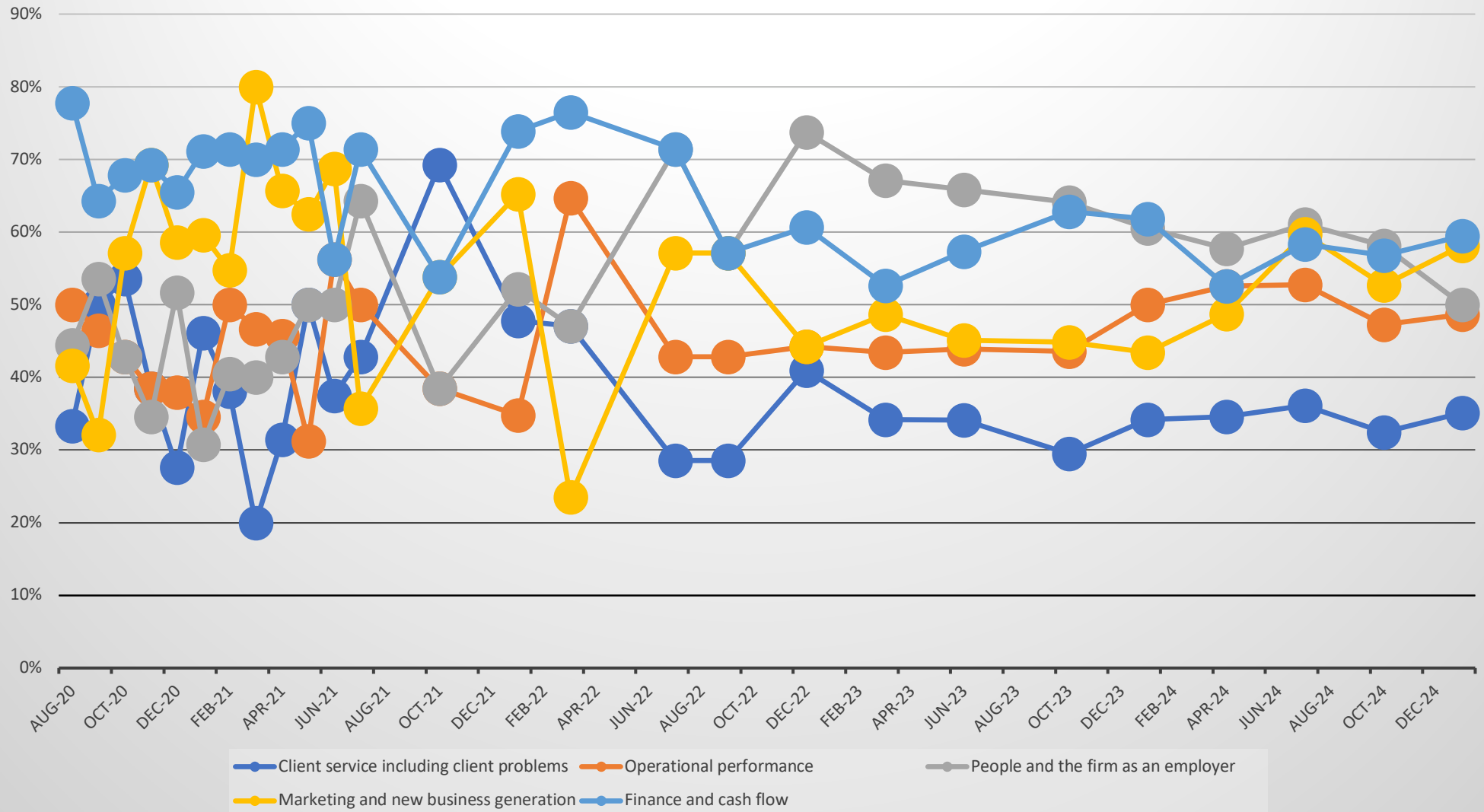
Do you expect to expand or contract the flow of new work to your firm over the next year?



Do you expect to expand or contract the headcount of your firm over the next year?

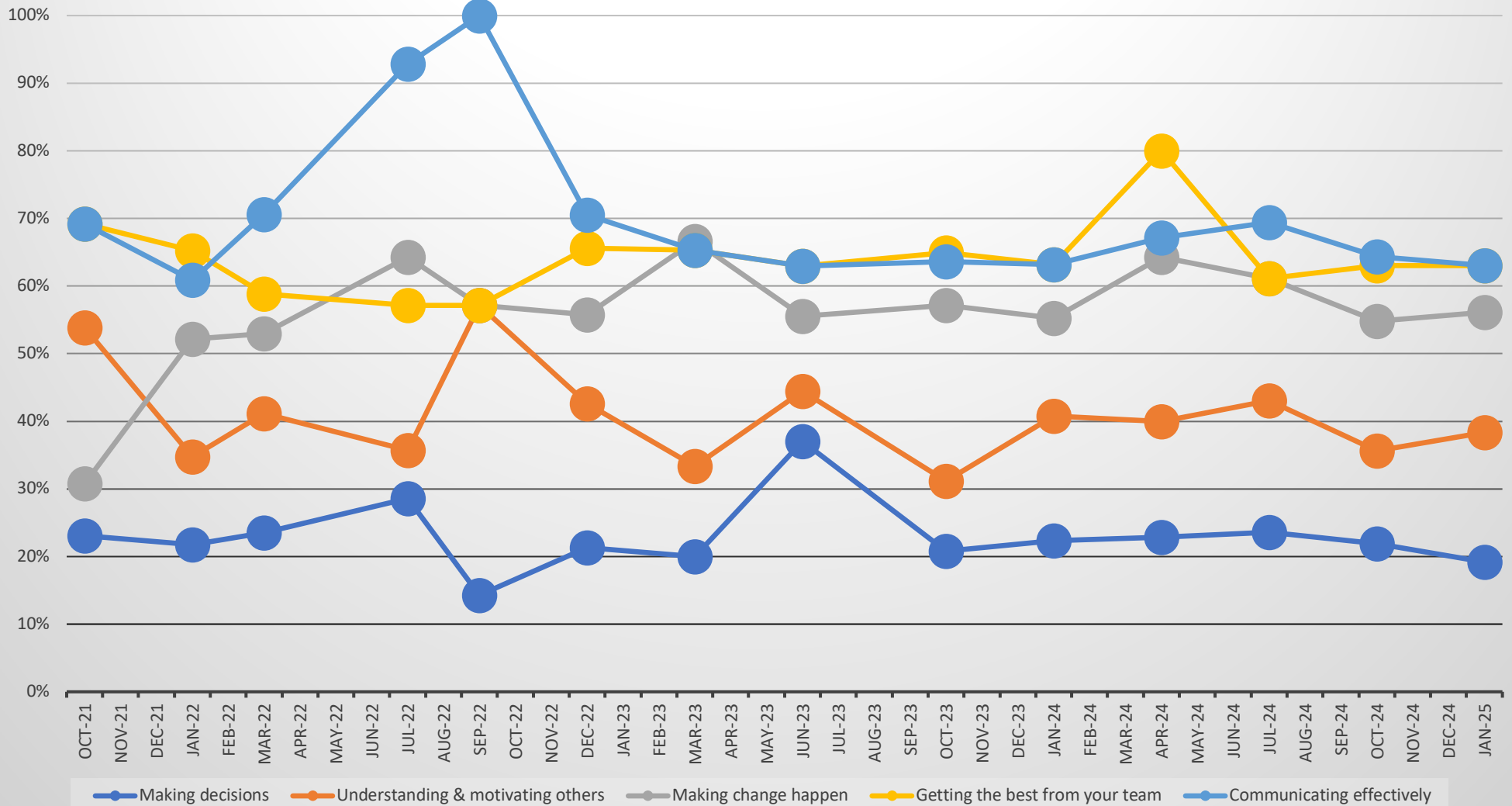


Which are the THREE areas that normally carry the most weight during partner/director discussions?



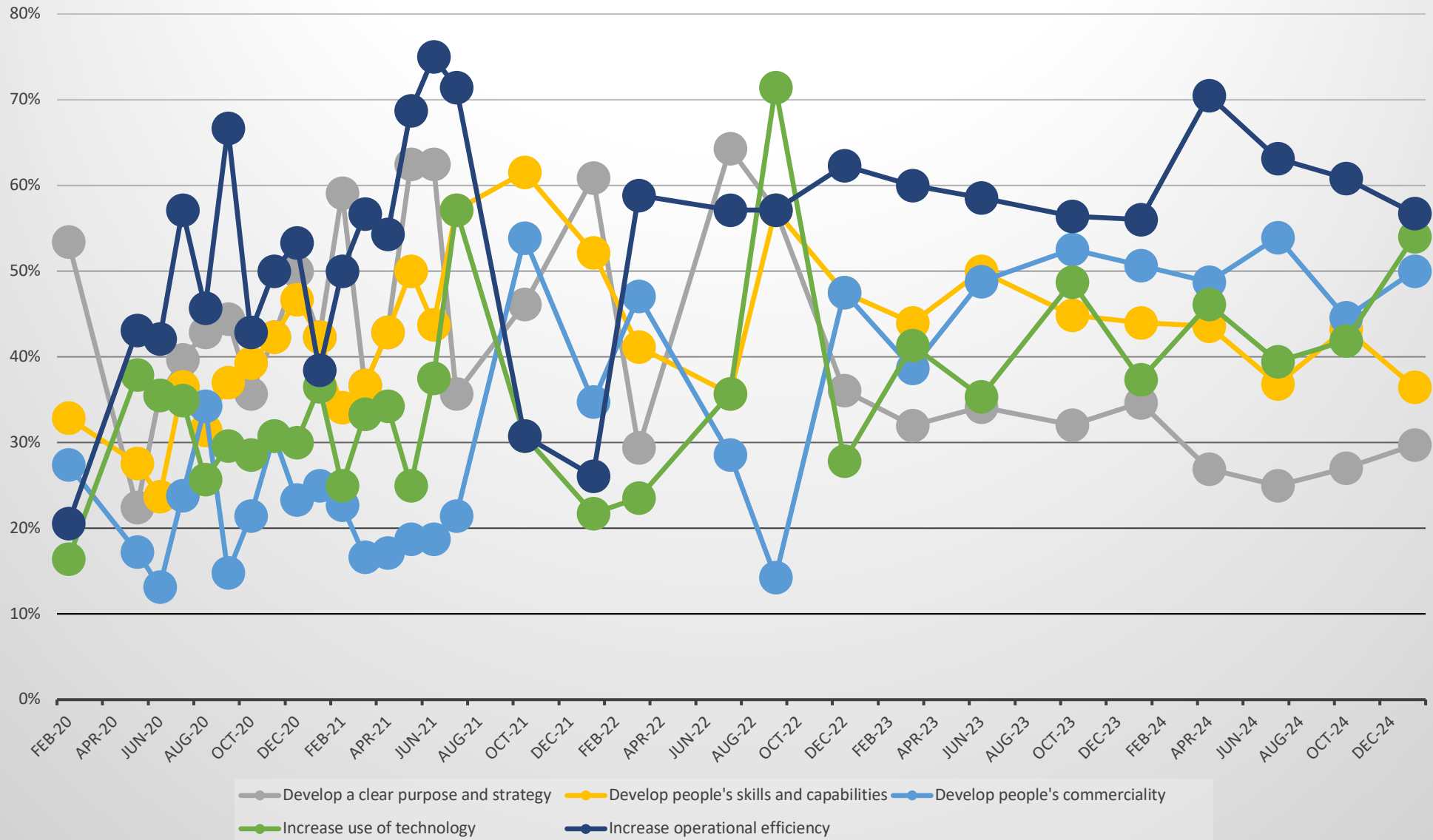
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Which THREE management activities do you consider will contribute most to helping your firm achieve its goals?



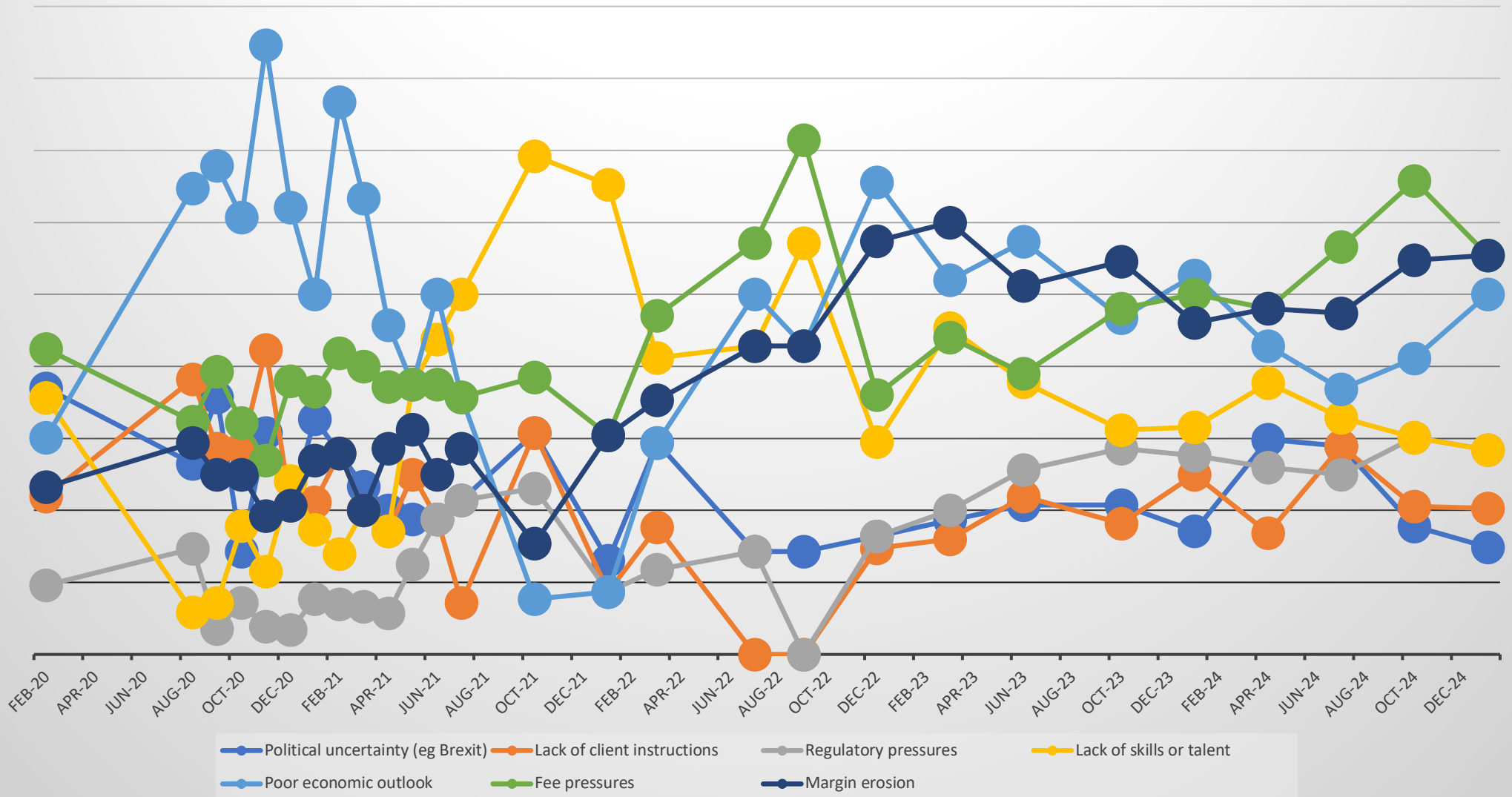
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Select the THREE top priorities for your firm over the next twelve months



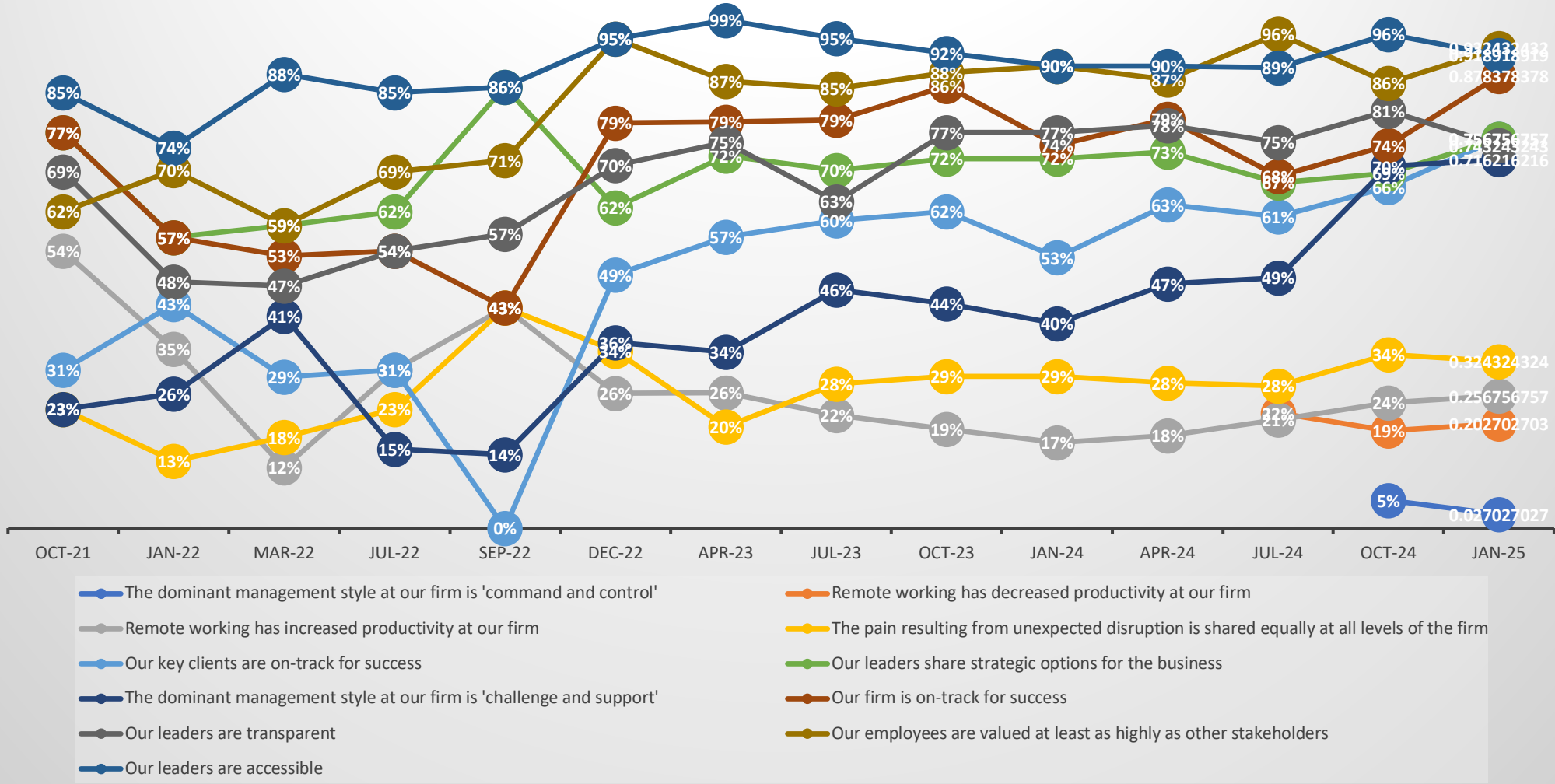
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Which are the THREE constraints that are most preventing your firm from achieving optimal performance in the current economic climate?



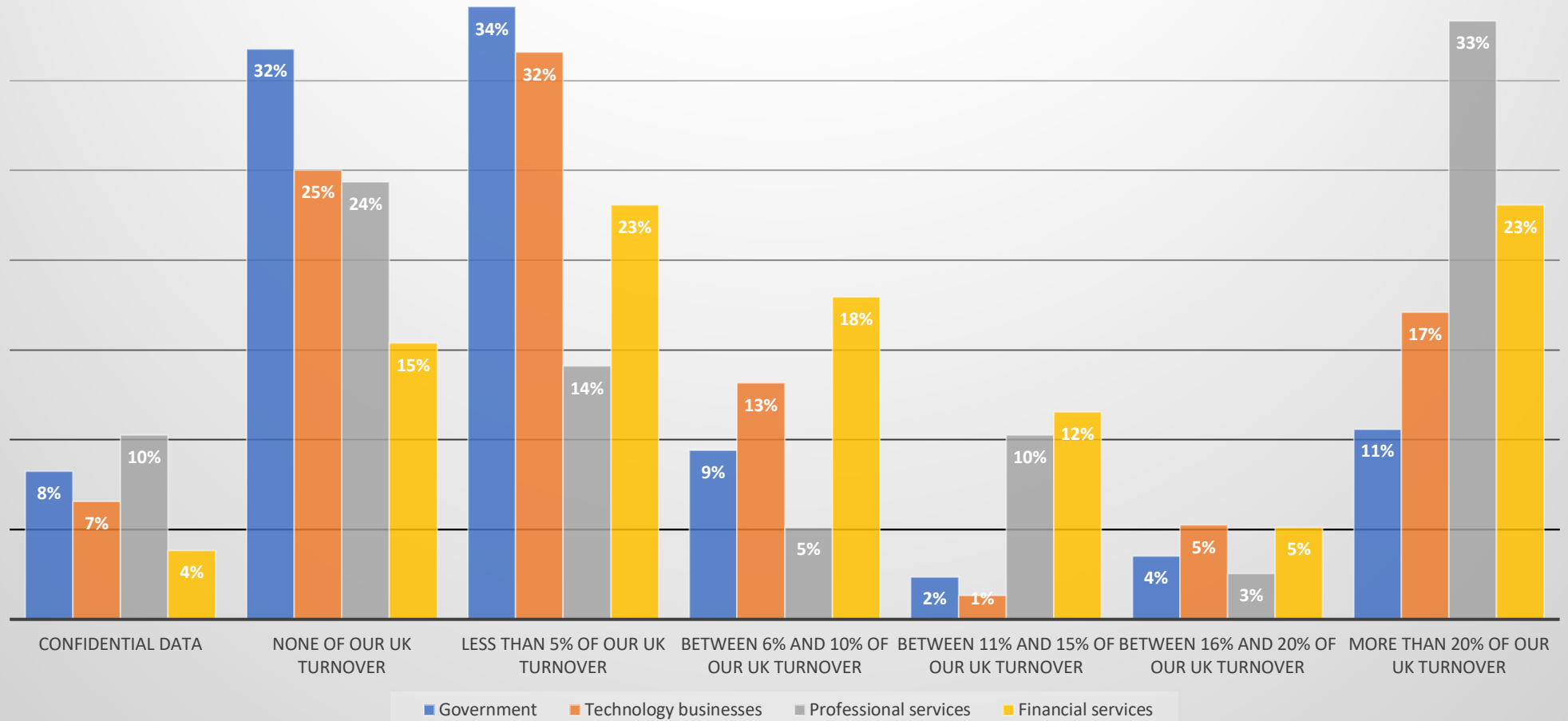
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Which of these statements are true for your firm?



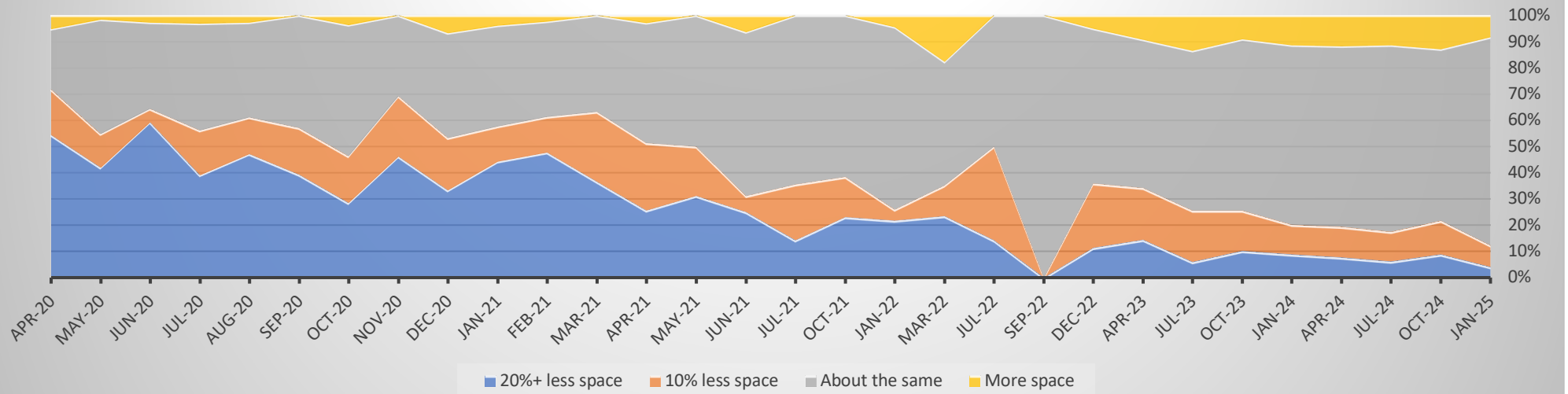
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Approximately what percentage of your firm's UK turnover is derived from other firms in specific industries (where respondent headcount >10)

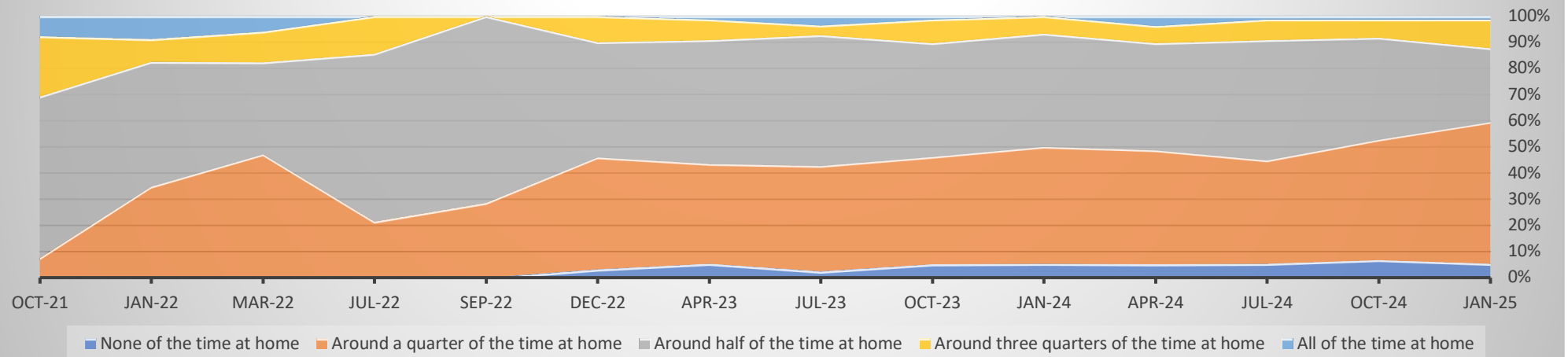


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Do you anticipate changes to your office space requirements over the next year?



On average, how much of the time are your people likely to be working from home over the next year?



Messages to Government (verbatim)

- There should be more focus on creating the best environment for businesses. This will then create more opportunities and generate tax.
- Please be aware of the damaging impact of taxation on small businesses - especially those that received no Government support during Covid
- A period of relative stability would be good!
- Recent changes to the rate of NI, has significantly impacted on our plans for expansion and will lead to lower levels of future employment opportunities. Whilst we understand the need to address the public finances, the impact needs to be mitigated at the earliest opportunity to stimulate future growth.
- The government's approach to taxation of businesses and particularly employers has disincentivised many of the business owners I have spoken to. The suggestion that these people are not "working people" is ludicrous when many work all hours, do not take holidays, and put their houses on the line to create value for themselves whilst at the same time creating employment for others. The approach to Business Property Relief is equally damaging to incentivising any business owner to create value by investing. In fact, by all of the responses I have heard, it diminishes any desire to increase the value of a business, again, damaging employment and the competitiveness of the UK's SME sector in world economies opening up more importation and lower employment for British people. The huge point that the government has missed is that to stimulate growth they must create win-win scenarios and not penalise the efforts of British entrepreneurs which are the engine room of the UK economy and its job creation.
- Prioritise and support professional services within the UK industrial strategy.
- Improve infrastructure, invest in capital, invest in the green economy
- Our business is design, digital, marketing & pr - it's the first service that most businesses pull when the economy is threatened. We have started to notice that people are cutting back on marketing already which is worrying so I feel that my business, unless businesses start to feel confident about the future, will become a victim in 2025 which is a shame after 35 years of trading. Most business people that I speak

with are totally disillusioned and feel that the current government has done very little to bring confidence to those businesses who are employers. Something has to be done and quickly otherwise those longstanding businesses will start to wonder what the point of running a business is when all it brings is hard work for little or no return.

- STABILITY is needed. Stop changing the goalposts and encourage growth across the board for ALL companies, not just headline trendy 'key sectors'. The guy making widgets in Birmingham for the last 20 years needs a reason to take on apprentices.
- Rejoin the Single Market - or at least allow EU wide mobility for the Under 30s!
- Taking an additional £40bn out of the private sector in tax rises and substantive economic growth are not compatible! The Tax is inflationary and the removal of cash in taxation prevents investment. As ever there needs to be developed a proper merchant banking sector to support SME businesses rather than the current retail banking sector which is unsuitable. Also, regulators need to read and apply the Regulators Code, rather than forever increasing the complexity of and cost of regulatory burden on UK business.
- The increase in ENI and increase in the minimum wage has caused us to have to increase prices. The cost of regulation continues to increase, and professional regulatory bodies are now overstepping their marks.
- Get on with a massive scaling up of education provision at every level to prepare children and adults alike for a complex, fast changing world, and an uncertain future. The pace of change and disruption is accelerating and technologies like AI require a massive upskilling so people can use the technology effectively, become more flexible, and take control of their own destiny. Stop funnelling huge amounts of funding to large consultancies that rip government off and deliver poor value.